

**VIRGINIA DEPARTMENT OF SOCIAL SERVICES  
ASSISTED LIVING FACILITIES (ALF)  
AUXILIARY GRANTS (AG) PROGRAM  
OVERVIEW**

**What Is an Auxiliary Grant?**

An Auxiliary Grant (AG) is a supplement to income for recipients of Supplemental Security Income (SSI) and certain other aged, blind, or disabled individuals residing in a licensed Assisted Living Facility (ALF) or in Adult Family Care (AFC). These individuals have insufficient funds to meet their needs and income less than the cost of care in those facilities. This assistance is available through local departments of social services to ensure that AG recipients are able to maintain a standard of living that meets a basic level of need.

The AG program is a state (80%) and locally (20%) funded financial assistance program, administered by the Virginia Department of Social Services. AG benefits are paid by the local department of social services where recipient residency has been established. Other funding sources may be available for other types of services. Not all ALFs accept AG recipients, nor are they required.

Individuals receiving an AG also receive a personal allowance to cover items not offered by the ALF or AFC provider. Regulations do not allow the personal allowance to be used for required recreational activities, administration of accounts, debts owed the ALF for basic services, or charges for laundry which exceed \$10 per month. Also, the ALF cannot charge for items or services not requested and if they are, they must inform the resident of the cost.

**How Is Eligibility Determined?**

Before being admitted to an ALF or AFC, an individual is assessed to determine eligibility and level of care. Eligibility for the program must be determined by the local department of social services in the locality where the individual has residence. Residence for AG eligibility is determined by the city or county within the state where the person last lived outside of an institution or adult family care home. The AG Program is specifically for individuals who reside in an ALF or AFC.

To be eligible for an AG in Virginia, an individual must meet all of the following:

- < Be 65 or over or be blind or be disabled.
- < Reside in a licensed ALF or approved AFC home.
- < Be a citizen of the United States or an alien who meets specified criteria.
- < Have a non-exempted (countable) income less than the total of the AG rate approved for the ALF plus the personal needs allowance.
- < Have non-exempted resources less than \$2,000 for one person or \$3,000 for a couple.\*
- < Have been assessed and determined to need ALF care or adult family care placement.

*[\*These figures are current as of 1/99, but are subject to change. Contact your local department of social services for current information.]*

### **How Are Maximum Rates for Assisted Living Facilities (ALFs) Determined?**

The maximum rate is determined by the General Assembly through the Appropriations Act and is adjusted periodically. Before an AG recipient can receive an amount greater than the minimum rate of \$517, the ALF where the AG recipient resides must demonstrate that its cost of resident care equals or exceeds the maximum rate. The ALF demonstrates its cost of care by submitting a Cost Report to the Virginia Department of Social Services (VDSS), Division of Financial Management. Financial information on the Cost Report is used by VDSS to compute a monthly average cost per resident. An ALF's monthly rate from the Cost Report is compared to the maximum AG rate and the lesser of the two becomes the established rate for the facility. VDSS then approves and establishes the AG rate for the ALF up to the maximum amount. ALFs in Northern Virginia, Planning District 8 receive a differential to their maximum rate of 15% per AG recipient.

State supplemental checks are mailed directly to the recipient or a payee, who in turn pays the ALF for services provided. The amount of the Auxiliary Grant paid to an individual is the difference between the approved rate (up to the maximum) plus the personal care allowance, less the individual's non-exempt income.

### **How Often Are Cost Reports Required?**

ALF rates are valid for 12 months unless an ALF is required to submit a new cost report because of significant operational changes, a change in ownership or a change in location. ALFs that have been in licensed operation more than 12 months must establish an approved rate by promptly submitting cost reports for the preceding calendar year. Cost Reports are mailed to licensed ALFs each year requesting information for the preceding period (usually the preceding calendar year).

Generally, ALFs with new licenses must submit a Cost Report for the first 90 days of operation, but within 150 days from VDSS licensure, to receive new rates retroactive to the licensure date. New ALF facilities can only be approved for the minimum rate prior to the establishment of a rate. When ALFs with existing AG recipients have obtained a new license, it is best to communicate this with VDSS, Division of Finance to ensure a smooth rate transition.

### ***What Is Covered under the Auxiliary Grant?***

#### **Room and Board**

- < Provision of a furnished room in a facility that meets applicable building and fire safety codes.
- < Housekeeping services based on the needs of the resident.
- < Meals and snacks, including extra portions and special diets.
- < Clean bed linens and towels as needed by the resident and at least once a week.

#### **Maintenance and Care**

- < Minimal assistance with personal hygiene including bathing, dressing, oral hygiene, hair grooming and shampooing, care of clothing, shaving, care of toenails and fingernails, arranging for haircuts as needed, care of needs associated with menstruation or occasional bladder or bowel incontinence.
- < Medication administration as required by licensing regulations including insulin injections.
- < Provision of generic personal toiletries including soap and toilet paper.
- < Minimal assistance with the following: care of personal possessions; care of personal funds if requested by the recipient and residence policy allows it; use of telephone; arranging transportation; obtaining necessary personal items and clothing; making and keeping appointments; and correspondence.
- < Securing health care and transportation when needed for medical treatment.
- < Providing social and recreational activities as required by licensing regulations.
- < General supervision for safety.

**VIRGINIA DEPARTMENT OF SOCIAL SERVICES**  
**ASSISTED LIVING FACILITY**  
**COST REPORT REQUIREMENTS**

The following items are intended to highlight and compliment the Instructions For Completing the Assisted Living Facility (ALF) Cost Report plus all regulations pertaining to the Auxiliary Grants (AG) Program: Levels of Care and Rate Setting (Title :22 VAC 40-25 ET SEQ).

- ❖ Letters confirming and establishing the AG rate will be mailed to all ALFs as the cost reports are submitted and approved. ALFs desiring to use a cost report recently submitted must contact the VDSS (Virginia Department of Social Services), DOF (Division of Finance) to verify if it can be applied for the new period.
- ❖ ALF rates are valid for 12 months unless an ALF is required to submit a new cost report because of significant operational changes, a change in ownership, or a change in location. ALFs that have been in licensed operation more than 12 months must establish an approved rate by submitting cost reports for the preceding calendar year. For cost reports submitted, other than initial cost reports for newly licensed ALFs, new approved rates will be effective no later than the first day of the second month following the month VDSS-DOF receives the cost report.
- ❖ Newly licensed ALFs must submit an initial cost report based on the first 90 days of operation but within 150 days of licensure. For cost reports submitted and approved for this period, the effective date of the maximum AG rate will be made retroactive to the ALFs date of licensure. Cost reports submitted after 150 days will be effective no later than the first day of the second month following the month VDSS-DOF receives the cost report.
- ❖ Newly licensed ALFs that previously submitted an initial cost report, must submit new cost reports for the preceding 12 months within 90 days following the 12-month anniversary date of VDSS license issuance. However, we request that all cost reports be submitted annually for the period ending on December 31 when practical.
- ❖ Separate cost reports must be submitted for each licensed ALF.
- ❖ All cost report data must be reported on the forms provided by VDSS.
- ❖ All cost reports are subject to audit by the VDSS.
- ❖ All financial information reported on the cost report must be reconcilable to the ALF's general ledger system or similar records. Retroactive adjustments and establishment of a liability to the ALF could result if financial information is not reconcilable to sound accounting records and practices. Records must be retained for three years after the end of the reporting period or until audited, whichever is first.

**VIRGINIA DEPARTMENT OF SOCIAL SERVICES**  
**ASSITED LIVING FACILITY**  
**COST REPORT REQUIREMENTS**

- ❖ All deviations from the enclosed instructions regarding the completion of the cost report are subject to approval of VDSS, Division of Finance.

- ❖ Submit completed cost reports to:  
Virginia Department of Social Services  
Division of Finance  
ALF Cost Report Section  
7 N. Eighth Street  
Richmond, Va. 23219

Advance cost report copies can be faxed to 804-692-1339; HOWEVER, originals must be sent to the above address.

- ❖ If you have any questions, please call Vanessa J. Majors at (804) 692-1330, or e-mail
- ❖ [vjm@dss.state.va.us](mailto:vjm@dss.state.va.us).

**VIRGINIA DEPARTMENT OF SOCIAL SERVICES**  
**ASSISTED LIVING FACILITY (ALF)**  
**INSTRUCTIONS FOR COMPLETING THE ALF COST REPORT**  
**(ALF-00I INSTRUCTIONS FOR COMPLETING COST REPORT FORM ALF-00C)**

**1 - Cost Report Period**

Enter the starting and ending dates applicable to the Cost Report. A Virginia Department of Social Services (VDSS) ALF license (regardless of the type) must have been in effect for the entire period indicated. **For example**, if the licensed ALF operated for the full calendar year in 2005, then indicate 1/1/05 to 12/31/05. If a new ALF was licensed with an effective date of 2/1/05 then the dates would be 2/1/05 to 12/31/05.

Normally the 12 month period reported on the cost report is the calendar year January through December. ALFs desiring to submit cost reports for an entire licensed period other than the calendar year must obtain prior approval from VDSS, Division of Finance. Verbal approvals for exceptions should be noted on the cost report with the name of approver and date. ALFs desiring to rely on a recent Cost Report on file at VDSS should verify its validity and if it is up-to-date by contacting VDSS, Division of Finance. DO NOT ASSUME all Cost Reports submitted previously are valid for the new period.

**2 - Facility Information**

Enter the name and address of the facility as it is indicated on the VDSS license.

**3 – Net Operating Revenue**

Net operating revenue represents the amount of charges assessed residents directly related to the provision of care less any nonapplicable amounts. Generally, these charges are for room and meals. In some facilities, these may also encompass charges for other types of services such as laundry, transportation, etc. This Section 3 requires that operating revenue derived from resident care be separated into four categories.

Line 3A, record the amount of revenue received from Private Pay Residents.

Line 3B, record the total amount of revenue received from Auxiliary Grant (AG) recipients, including SSI with the state AG supplement.

Line 3C, record the total amount of revenue paid by the Department of Medical Assistance Services (DMAS) for Assisted and Intensive living recipients. These amounts are paid in addition to the AG payments.

Line 3D, record all other net operating revenue for ancillary services and products provided where charges were assessed. Examples of these are personal care services and over the counter medication. Also, include all local subsidies and funding used to offset operating expenses. Any resident refunds or other adjustments should be included.

Line 3E, total lines 3A through 3D and enter the total here.

#### **4 - Certification**

The owner/administrator must certify the Cost Report statement by signing this section. Original signatures are required on reports submitted to VDSS. Phone numbers are requested should questions arise during the review of the Cost Report by VDSS.

#### **5 – Net Operating Expenses**

Net operating expenses are costs directly related to the care of residents.

Non-operating expenses are activities that are not directly related to the care of residents and must be subtracted from applicable operating expenses when they exceed the non-operating revenue. Stated another way, operating costs must be reduced by any non-operating revenue, less non-operating expenses. Any miscellaneous reductions required can be included in line 5F, “All other net operating expenses”.

If non-operating expenses exceed nonoperating revenue, no adjustment is necessary. Non-operating activities range from gift shop operations to income earned on investments. Some other nonoperating revenue examples are; (when they are not for the resident) charges to visitors and employees for rooms, meals and laundry. Donations, grants and revenue from fund raising are considered operating revenue if it is used to benefit all residents.

Generally, expense classifications provided on the form are self-explanatory. Selected classifications of expenses are further described below.

Line 5A, Salaries, Wages and Benefits should be amounts paid to all owners and employees. Fringe benefits are defined as payments made by the employer on behalf of the employee and are not a component of the employee’s salary or hourly wage. Wage/salary allowances for donated or non-compensated time is permissible as long as it benefited all residents, is reasonable compared to equivalent pay standards and can be substantiated.

Line 5D, Facility: Rent/Lease /Interest/Depreciation is intended to capture those expenses related to the ALF and supporting facility. Rents, leases or interest are expenses associated with rent payments for the actual facility or the interest portion only of any mortgage if buying the property. Also, include the interest only expense associated with any installment, time or demand note.

Refer to Attachment A, “Instructions for Depreciation Expense” for instructions on determining and calculating depreciation and use allowances.

Line 5E, enter appropriate maintenance and repair expenses for the ALF facility. Expense allowances for donated services is permissible as long as it benefited all residents, is reasonable compared to equivalent pay standards, can be substantiated and has not been included elsewhere in the cost report.

Line 5F, this line should be used for any other operating expenses not listed above less any applicable adjustments.

Line 5G, total lines 5A through 5F and enter the total here.

## **6 – Patient/Bed Days**

This section provides statistical information on the availability and actual usage of licensed beds. This result is used to determine the cost per resident in the next section.

Line 6A is to determine the total bed capacity. First, determine how many licensed beds there were during the cost report period. If it changed during the period, use an average number. Next, multiply the number of days in the reporting period by the total number (or average) of licensed beds and record your answer.

Line 6B is to show the result of multiplying the answer from Line 6A above by 85% (or .85). The percentage of 85% represents the average occupancy for all ALF's and is used as a minimum threshold when determining resident cost.

Line 6C is to record the actual patient/beds occupied/filled during the report period expressed in bed days. There are various methods to determine this number. One simple example is the number of beds actually occupied/filled (or an average) multiplied by the number of days in the report period.

Line 6D is to determine the final number used for the cost calculation in the next section. Enter the greatest number from either line 6B or 6C.

## **7 – Rate Calculation**

This section is used to determine the cost for all applicable residents per month. This result is compared to the maximum monthly Auxiliary Grant (AG) rate approved by the State of Virginia to ensure that an ALF's cost of care exceeds the maximum AG rate. If an ALF's cost is lower, the lesser amount would be the maximum AG payment for residents in that facility.

Line 7A, enter the results indicated on line 5G here.

Line 7B, is to add an allowable 10% growth factor for profit ALF's only. Non-profit ALF's would enter 0 and skip this line.

Line 7C, is to add an inflation adjustment (for all ALF's) to the previous years costs so the cost will equate to the current maximum AG rate. This is done by multiplying the inflation percentage 4.35% (or 1.0435) by the total amount of lines 7A plus 7B.

Line 7D, enter the results from 6D here.

Line 7E, determines the cost of care for residents on a daily basis by dividing total adjusted expenses on line 7C by the appropriate bed days on line 7D. Enter results here.

Line 7F, determines the cost of care for residents on a monthly basis by multiplying line 7E by the average days per month, 30.417. Enter results here.

## **ATTACHMENT A**

### **DEPRECIATION EXPENSE INSTRUCTIONS**

Found under Net Operating Expenses, Line 5D

The following instructions apply to expenses for depreciation and amortization of fixed assets. Depreciation is a method of allocating the costs of long-lived assets over the useful life of the asset to the reporting periods benefited. Detailed information concerning individual assets is not required however; the facility is required to maintain detailed information regarding the calculation of depreciation expense. Detailed information includes a listing of all depreciable assets; their acquisition costs, estimated salvage value, useful life, and expense calculation. Depreciation expense and use allowances for the cost reporting period are then summarized for inclusion in total operating costs.

#### Criteria for Capital Assets

Depreciation expense is recognized only for assets that are considered capital assets. The Department has established the following criteria for the determination as to whether an asset is a capital asset:

1. The asset is separate and tangible.
2. The asset has a useful life of 2 or more years.
3. The asset has a total acquisition cost of \$5,000 or more.

An asset must meet all three above criteria to be considered a capital asset and be used in the calculation of depreciation expense. The cost of any individual asset (furniture, fixtures, equipment or vehicles) that does not meet all three criteria should be reported as an operating expense in the year of acquisition.

#### Factors Affecting Depreciation Expense

There are three primary factors affecting the periodic Depreciation charge: (1) asset cost, (2) residual or salvage value and (3) useful life.

Asset cost includes all expenditures relating to its acquisition. The cost of an asset less the expected residual value is the depreciated cost or depreciable base. The depreciable base is the cost for which depreciation expense is calculated.

Residual or salvage value is an estimate of the amount to be realized upon retirement of the asset.

Capital assets, other than land, have a useful life or an estimate as to how long the asset will be of use to revenue. The following guidelines are for the establishment of useful lives for individual assets:

Buildings	20-40 years
Vehicles	3-8 years
Furniture, fixtures, and equipment	5-15 years



## Calculation of Annual Depreciation Expense

### Buildings

Determine the acquisition cost of all buildings. The acquisition cost includes all amounts paid related to the purchase of the building but should exclude interest expenses paid that are associated with the long-term purchase or lease acquisition of the building. Interest expenses should be included and reported with lease expenses or mortgage interest. The value of land is excluded from the purchase price, as the usefulness of land does not depreciate with the passage of time. If the value of land acquired with a building is not separately identified in purchase documents, the estimated value can be determined based on information available to the facility for the value of similar parcels of land in the area or county assessments. If the building has been constructed on land separately purchased, no land value should be deducted from building costs. To calculate the depreciable cost, subtract the estimated salvage value and land value (if applicable) from the acquisition cost. And then divide the results by the useful life.

$$\text{Depreciation} = \frac{\text{Acquisition Cost} - \text{Salvage Value}}{\text{Useful Life}}$$

The result would represent depreciation cost for one year.

Example: A facility operates using two buildings. Building number 1 was constructed three years ago for \$60,000 on previously owned land and has a useful life of 20 years. Its estimated salvage value is \$10,000. Building number 2 was purchased for \$55,000 together with a parcel of land estimated to be valued at \$10,000. The estimated salvage value for building 2 is \$8,500 with a useful life of 20 years.

Depreciation expense is calculated as follows:

	Building No. 1	Building No. 2
Acquisition cost	\$60,000	\$55,000
Less: Salvage Value	(10,000)	( 8,500)
Land Value	<u>0</u>	<u>(10,000)</u>
Depreciable Cost	\$50,000	\$36,500
Divide by Useful life	<u>20</u>	<u>20</u>
Annual Depreciation Expense	<u>2,500</u>	<u>1,825</u>
	=====	=====

### Furniture and Equipment

Determine the acquisition cost of all assets. When the facility owns more than one like asset that was acquired in one bulk purchase, the facility can group like assets and list them together. The acquisition cost excludes interest expenses paid that are associated with the long-term purchase or lease acquisition of the asset. Interest charges should be listed and reported with other operating expenses as interest on an installment loan.

Estimate the salvage value for individual assets. Salvage value represents the facility's best estimate of the asset's value at the end of its useful life.

Determine the asset depreciable cost by subtracting the estimated residual value from acquisition cost. Calculate depreciation expense by dividing depreciable cost by the estimated useful life.

### Vehicles

Determine the acquisition cost of all vehicles. The acquisition cost excludes interest expenses paid that are associated with the long-term purchase or lease acquisition of the asset. Interest expenses should be listed and reported with other operating expenses as interest on an installment loan.

Estimate the salvage value of individual assets. Salvage value represents the facility's best estimate of the asset's value at the end of its useful life.

Determine the assets depreciable cost is subtracting the estimated residual value from the acquisition cost. Calculate depreciation expense by dividing depreciable cost by the estimated useful life.

### Use Allowance

Use allowance applies to capital assets, which are fully depreciated and have extended their usefulness beyond their estimated useful life. Assets for which depreciation has been calculated above should not be included in this section.

The authorized annual use allowance rate is 2%. Determine the assets that have extended beyond their estimated useful life. Calculate the use allowance by multiplying the original cost of these assets by the allowance rate (2%).

### Land Improvement

Land improvements apply to expenditures for improving land that will require ultimate replacement. Examples of land improvements are paving, fencing, water and sewage systems and landscaping.

To determine the assets depreciable cost, divide the depreciable cost by the estimated useful life.

**ASSISTED LIVING FACILITY (ALF) COST REPORT****1. Cost Report Period**

(Start date) \_\_\_\_\_ (Ending date) \_\_\_\_\_

**2. Facility Information**

Name of ALF Facility \_\_\_\_\_

Address of Facility \_\_\_\_\_

(City) \_\_\_\_\_, (State) \_\_\_\_\_ (Zip) \_\_\_\_\_

Mailing Address (if different) \_\_\_\_\_

(City) \_\_\_\_\_, (State) \_\_\_\_\_ (Zip) \_\_\_\_\_

**3. Net Operating Revenue**

Sources		Revenue Amount \$
A	Revenue from Private Pay Residents	
B	Total Revenue from Auxiliary Grant Recipients	
C	Assisted and Intensive Living (DMAS) Revenue	
D	All Other Net Operating Revenue	
E	Total Net Operating Revenue	

**4. Certification**

I certify that the information submitted with this cost report is true and complete and that the services provided were in accordance with licensing provisions and without regard to race, color, national origin, sex, age, political affiliation, religion, or handicapping condition. I further certify that the actual cost data submitted is accurate to the best of my knowledge and the expenditures were reasonable, necessary and appropriate for the services provided.

\_\_\_\_\_  
Signature of Owner or Administrator\_\_\_\_\_  
Title\_\_\_\_\_  
Date\_\_\_\_\_  
Print Name of Owner or Administrator\_\_\_\_\_  
Area Code\_\_\_\_\_  
Phone Number

**5. Net Operating Expenses**

	Categories	Expenses \$
A	Salaries, Wages and Benefits	
B	Food Supplies	
C	Utilities/Fuel	
D	Facility: Rent/Lease/Interest/Depreciation	
E	Facility: Maintenance and Repair expenses	
F	All Other Net Operating Expenses	
G	Total Net Operating Expenses	

**6. Patient/Bed Days**

	Categories	Bed Days
A	Total Capacity (total average licensed beds multiplied by days in reporting period)	
B	Total Days from Line A Above Multiplied by 85% (.85) Enter Result Total	$\frac{\text{ } \times .85}{=}$
C	Actual (or actual average) Patient/Bed Days Filled During Reporting Period	
D	Enter the Greater Number from Either Line B or Line C	

**7. Rate Calculation**

	Categories	Results
A	Enter the Total Net Operating Expenses (from table 5G)	
B	10% Operations Growth ( <b>for-profit ALF's only</b> ) Added: Total Operating Expenses from Line A Above Multiplied by 110% (1.10) Enter Result Total	$\frac{\text{ } \times 1.10}{=}$
C	Inflation Adjustment of <b>4.35%</b> Added: Total Operating Expenses from Line A or Line B Above Multiplied by <b>10435.0% (1.0435)</b> Enter Result Total	$\frac{\text{ } \times \mathbf{1.0435}}{=}$
D	Enter the Number from Patient/Bed Days Table 6, Line D	
E	Enter the Daily Cost of Service (line C total divided by line D above)	
F	Monthly Cost (Rate) of Service (line E multiplied by average days in a month, 30.417) Enter Result Total	$\frac{\text{ } \times 30.417}{=}$